### Fundamentals of Effort Reporting

Uniform Guidance Subpart E ([200.400-475](http://www.ecfr.gov/cgi-bin/text-idx?SID=48080fcf22a7dd17c05a537a8491d9a9&amp;amp%3Bnode=sp2.1.200.e&amp;amp%3Brgn=div6&amp;amp%3Bse2.1.200_1400)), Cost Principles for Educational Institutions requires:

1. Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed:
2. Under this provision, institutions are required to have payroll distribution methods that not only reasonably reflect the activity being paid for by the grant but which also reflect all activities of the person subject to reporting. Institutions to provide verification of salary charges.
3. This practice is referred to as effort reporting.
4. The term effort reporting is not actually found in the Uniform Guidance, but this general principle is outlined under section 200.430: Compensation - personal services.
5. Uniform Guidance gives the following guidelines for the reporting system:
	1. The system for tracking payroll distribution should be a plan confirmation system or an after-the-fact activity records. The University of Houston uses the after the fact activity effort reports.
	2. The system must include a periodic review to confirm the reasonableness of salary charges to the sponsored project. The University of Houston currently has a periodic review of every quarter (four times per fiscal year).
	3. The system must be designed to track faculty committed effort weather directly charged to a sponsored project or directly charged to a non-sponsored project as **cost sharing**. The University of Houston uses People Soft payroll to verify direct charged effort and RD2K to track committed cost sharing at the proposal stages.

**Uniform guidance provision of effort reporting:**

1. Effort reporting encompass both federally assisted and all other activities compensated by the institute not to exceed 100%. In an academic setting, this includes teaching, research, service, and administration which are inextricably intermingled.
2. A precise assessment of factors that contribute to 100 percent effort is not always feasible, nor is it expected. Therefore, reliance is placed on estimates in which a **5 percent** degree of tolerance is appropriate. (CFR 200-430)
3. Significant changes in the corresponding work activity (as defined by the institute’s written policies) are identified and entered into the records in a timely manner. [MAPP 05.02.03](http://www.uh.edu/af/universityservices/policies/mapp/05/050203.pdf)
4. Effort Reports must be reviewed for accuracy before certification. If it is determined that any changes (Payroll Reallocation and Cost Sharing) need to be made, they should be made before certification.
5. Any individual who performed work on a sponsored funded project ***or the project principal investigator*** must certify an effort report.
6. Charges for the salaries and wages of nonexempt employees, in addition to the supporting documentation (an effort report), must also be supported by records indicating the total number of hours worked each day. The University no longer uses paper timesheets that specified sponsor accounts and the total hours work. TRAM system only shows hours worked.
7. Effort certification reports are signed by the employee and/or principal investigator or other responsible official, to confirm that all activities (sponsored and non-sponsored) are reported correctly, and that the distribution of effort shown on the certification report reflects a reasonable estimate of the percentage of total effort that was spent on each activity. (CFR 200-430)

**Calculation of the Effort Percentage:**

Total effort is expressed in terms of 100% regardless of the number of hours spent performing the normal working activity contemplated by the terms of the Employee's appointment in any given period.

1. Example I: An individual with a regular payroll FTE of 100% usually works at least 40 hours per week. Regardless of the number of hours worked in that week, the total effort on all normal working activities is 100% effort.
2. Example II: An individual with a regular payroll FTE of 50% usually works at least 20 hours per week. Regardless of the number of hours worked in the week, the effort on all normal working activities is 100%.
3. Example III: An individual with a regular payroll FTE of 100% plus an official additional FTE of x% is expected to work more than 40 hours per week. Regardless of the number of hours actually worked, the effort to be reported is the effort for activity in normal appointment. Effort for FTE above 100% is not reported on the effort report and is referred to as additional compensation.

Effort should be verified against the base rate for the quarter being reported. The individual base rate is the monthly rate in their regular assignment multiplied by 3. To verify effort, take the amount paid on the grant and divide it by the base for the period to get the % effort. Bear in mind that a precise estimate is not always possible, and so a **variance of 5%** is allowed when reporting.

1. Example I: For Sept-Nov, Post Doc I salary charged to G00001 is 6,000 and to G00002 is 3,000 for a total salary of 9,000. Effort expended on G00001 is 67% (6,000/9,000) and G00002 is 33% (3,000/9,000) for a total effort of 100% (67%+33%).

**Effort and payroll activities not reported on the Effort report:**

1. Additional compensation – payment for services rendered by employee *in addition to base salary for regular job.*
2. Payment for participating in a project, such as a human subject participant
3. Additional pay for employee allowances or awards.
4. Consultation payment to the University Employee, acting outside the course and scope of employment and solely in a personal capacity, for the performance of consulting services, consistent with the University's consultation policy.

**Special conditions:**

1. ***Faculty summer Salary:*** Effort reporting is not needed from a faculty member on a 9 pay 9 assignments except when that faculty is receiving summer salary directly paid from a sponsored project cost center, or is contributing to a sponsored project while being paid directly on a non- sponsored project (cost sharing). The effort report is needed for the entire quarter even if the faculty worked a portion of one month of the summer on the project.
2. ***Cost Sharing:*** If the faculty member committed time to the sponsor that is not directly charged to the project, effort reporting is required for the portion of the effort charged to the non-grant cost center.

Any changes in committed time to a sponsor needed prior approval for a change of 25% or more. This certification can also take place in the summer when the faculty is not paid on a sponsored project cost center.

1. ***Salary Limitations and Salary Caps:*** Some sponsor or specific award agreements may forbid charging faculty salary in general to the award funds. Others such as NSF and NIH have a salary limit and cap that must be adhered to.
2. **National Science Foundation (**NSF) policy limits the charging of salaries to a maximum of two months above the academic month (9 pay 9) in any one year. This limitation applies to any NSF award funding the individual may receive, including sub-awards from other institutions.
3. **Public Health Service (PHS),** which includes National Institutes of Health (NIH) and Department of Health and Human Services (DHHS), imposes a Salary Cap on the amount that can be charged directly to the grant. Effective January 1 (DHHS) and January 11, 2015 (NIH) the annual salary cap is $183,300.00. The actual cap is based on the monthly rate of $15,275.00 ($183,300.00/12). Therefore, regardless of the appointment period, the maximum allowed in one month is $15,275.00. Additionally, the $15,275.00 cap is considered to be 100% effort on the NIH/DHHS grant. Regular salary above the cap cannot be charged to another federal grant. It must be charged to a **non- federal non-grant source** and can be treated as cost sharing for the NIH/DHHS grant.
	* 1. Example I: If an individual whose regular salary is 16,666.67 per month is working 100% on the NIH grant, they can only receive 15,275.00 per month from the NIH grant and $1,391.67 on a non-grant. The entire amount (16,666.67) is reported as 100% effort to the NIH project such that 91% is direct and 9% is cost sharing.
		2. Example II: If an individual whose regular salary is 13,000 per month is working 100% on the NIH grant, they can only receive 13,000 per month from NIH grant. The entire amount (13,000) is reported as 100% effort to the NIH project.
		3. Example III: If an individual whose regular salary is 13,000 per month is working 90% on the NIH grant, they can only receive 11,700 (13,000\* 90%) per month from the NIH grant. 11,700 is reported as 90% effort to the NIH project and 10% to the other activity or project.

**Why must we be concerned with Effort Reporting?**

Salaries and associated benefits on sponsored grants typically make up the majority of expenditures. When facilities and administration (IDC) costs are added, it is by far the largest expense on most research sponsored projects. It should then come as no surprised that this is a constant audit target.

1. **Federal Audit:** Salary expenditure to federal awards continues to be audited by both the HHS and NSF OIG (Office of inspector General) with a focus on time and effort reporting. In conjunction with the HHS OIG, the Department of Justice has negotiated a number of costly settlements with universities over allegations of improper charging of salary and wages.
2. **State Audit:** In addition to the federal government audits, the State of Texas auditors (SOA) are charged with the annual A133 (now A.81) audits of state agencies that receive federal funding. These audit reports are made public and they are used by our sponsors to see how well we account for sponsored research funding.
3. Go the links below to read about 5 NSF OIG audits of time and effort report and the results:
4. [Audit of Effort Reporting System, University of Delaware](http://www.nsf.gov/oig/10_1_008_Delaware.pdf) (OIG 10-1-008)
5. [Effort Reporting System, Washington University in St. Louis (OIG 10-1-005)](https://www.nsf.gov/oig/reports/10_1_005_wustl.pdf)
6. [University of Nevada-Reno, OIG 10-1-003](https://www.nsf.gov/oig/reports/10-1-003_UNR.pdf)
7. [University of Wisconsin-Madison, OIG 10-1-002](https://www.nsf.gov/oig/reports/10_1_002_uwm.pdf)
8. [The Research Foundation of SUNY, Stony Brook, OIG 10-1-001](https://www.nsf.gov/oig/reports/10_1_001_suny.pdf)
9. Significant Audit findings are often due to the following:
	1. Salary Caps and salary limitations violation
	2. Salary charged not supported by an effort report
	3. Lack of understanding of effort certification (training)
	4. System weakness – effort reports not integrated with official payroll system
	5. Late payroll reallocation and late effort certification
	6. Insufficient guidance and review of change in effort and change in effort certification.
	7. Failure to include all institutional effort in the effort percentage calculation
	8. Charging 100% effort to a grant for faculty with duties other than research
	9. Incorrect calculation of summer faculty compensation. The amount charged to the grant in the summer cannot exceed the regular rate.
	10. Effort reports signed by individuals with insufficient knowledge of the work performed.
	11. Policies and procedures do not reflect grants management regulations and requirement for effort reporting.

**Pinpoint the University of Houston policy/Procedure on Effort Reporting**

The [Effort Reporting Requirements and Administrative Procedures f](http://www.uh.edu/research/compliance/effort-reporting/)or the University of Houston are posted to the Division of Research website. Take some time to go over the information presented there during this section of the course. In addition to the University policy regarding effort reporting, the detailed steps for preparing quarterly reports can be accessed on the [Division of Research’s intranet](https://share.uh.edu/dor/SitePages/Effort%20Reporting.aspx) site (SharePoint-based) and is available to all UH employees using their CougarNet log on. If you are the individual in your department responsible for effort reporting, you should become familiar with this section of these pages.

1. Before reporting, the individual should be presented with an effort report that reflects the distribution of effort based on the official payroll system.
2. When the individual is presented with such an effort report, the individual must review the distribution to determine whether the percentages for the time period reflects the actual effort devoted to the sponsored programs being charged and other functions. The total effort of all activities should be 100%.
3. If the payroll distribution is correct, the individual should sign or electronically sign the certification.
4. If the payroll distribution is incorrect, the individual should not certify the report and contact the department administrator to correct the payroll distribution.
5. Hourly employees certify in conjunction with the submission of their timesheets and should review for accuracy. Certification Re-Assignments within must be submitted with a written justification to be reviewed and approved by the effort compliance staff in the Office of Contracts and Grants.